

Message Text

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43

ACTION ARA-10

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LIMITED OFFICIAL USE RIO DE JANEIRO 0778

E.O. 11652: N/A
TAGS: BEXP, BR
SUBJECT: SIDERBRAS STEEL EXPANSION PROGRAM - CSN HHOT STRIP MILL

REF: RIO CABLE 0768

1. FURTHER TO REFTTEL, REPS OF BLAW-KNOX/DEMAG/HITACHI CONSORTIUM
HAVE CONVERTED THE VARIOUS BASIC PRICES IN DIFFERENT CURRENCIES
CONTAINED IN EACH BID FOR THE HOT STRIP MILL PACKAGE TO U.S.
DOLLARS ON F.O.B. BASIS. FOLLOWING IS A SUMMARY OF THEIR
TABULATION, WHICH MAY BE OF INTEREST TO COMMERCE IN ASSESSMENT
OF BIDDING. ALL VALUES ARE EXPRESSED IN MILLIONS OF U.S.
DOLLARS.

2. INNOCENTI CONSORTIUM: TOTAL \$64.985 (ITALIAN PORTION \$37.532;
BRAZILIAN PORTION \$27.453). LOCAL CONTENT 42 PERCENT.

3. IHI/MITSUBISHI CONSORTIUM: TOTAL \$83.893 (JAPANESE PORTION
\$37.996; BRAZILIAN \$45.897). LOCAL CONTENT 55 PERCENT.

4. BLAW-KNOX CONSORTIUM: TOTAL \$85.257 (U.S. PORTION \$21.949;
GERMAN \$16.817; JAPANESE \$8.956; BRAZILIAN \$37.535). LOCAL
CONTENT 44 PERCENT.

5. DAVY LOEWY CONSORTIUM: TOTAL \$88.742 (BRITISH PORTION
\$31.322; GERMAN \$22.860; BRZILIAN \$34.560). LOCAL CONTENT 39

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PERCENT.

6. MESTA CONSORTIUM: TOTAL \$100.235 (U.S. PORTION \$34.067; BRAZIL-
IAN \$66.168). LOCAL CONTENT 66 PERCENT.

7. WEAN-UNITED CONSORTIUM: TOTAL \$118.884 (FIXED PRICE BID)
(U.S. PORTION \$47.092; FRENCH \$51.962; BRAZILIAN \$19.830).
LOCAL CONTENT 17 PERCENT.

8.COMMENT: A VISITING DEMAG DIRECTOR EXPRESSED PRIVATE
OPINION THAT EITHER INNOCENTI OR IHI/MITSUBISHI BID SEEMS
FAIRLY CERTAIN TO WIN THE COMPLETE PACKAGE,UNLESS GOB DECIDES
TO BREAK IT INTO FIVE SECTIONS AND AWARD ONE OR TWO SECTIONS
TO ANOTHER CONSORTIUM FOR DOMESTIC POLITICAL REASONS. THE AIM
WOULD BE TO ENSURE THHAT ONE OR MORE BRAZILIAN COMPANIES WITH
EFFECTIVE BRAZILIAN OWNERSHIP (SUCH AS VILLARES, BARDELLA AND
USIMEC) WOULD RECEIVE AT LEAST A PIECE OF THE ACTION. ON OTHER
HAND, THE DEMAG OFFICIAL STATED, DIVIDING THE PACKAGE UP
WOULD BE A BAD ENGINEERING DECISION AND CERTAINLY NOT ONE CSN
ITSELF WOULD FAVOR. ALSO, PROSPECT THAT ITALIANS MIGHT BE
MORE THAN \$20 MILLION BELOW THE BIDDERS WHICH HAVE BRAZILIAN-
OWNED LOCAL CONTENT COULD MAKE IT AWKWARD TO TAKE SOME SECTIONS
AWAY FROM THE ITALIANS, NOT ONLY BECAUSE OF THE SAVING WHICH
WOULD ACCRUE TO CSN BY SELECTING THE LOWEST TECHNICALLY QUALIFIED
BIDDER, BUT, OF PERHAPS AT LEAST EQUAL IMPORTANCE, THE FACT
THAT THE GOB'S AGREEMENT WITH THE IBRD EVIDENTLY REQUIRES
CSN TO DO SO.
DEXTER

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